



NEW FACE *NEW FOCUS*



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) and all the information in this annual report are the responsibility of management and have been reviewed by the Finance Committee on behalf of Council.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate under the circumstances to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

APEGGA maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Association's assets are appropriately accounted for and adequately safeguarded.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for the financial statements. Council carries out this responsibility principally through its Finance Committee.

The Finance Committee, which is composed of the President, the immediate Past President, the two Vice-Presidents, and the Executive Director of the Association, approves the financial statements. The committee meets with management and periodically with the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is discharging its responsibilities properly and to review the financial statements and the external auditor's report. The committee also recommends the engagement of the external auditors, which is reviewed by Council and approved by the members.

The financial statements have been audited by Bruce H. Childs Professional Corporation, Chartered Accountant, in accordance with Canadian generally accepted auditing standards, on behalf of the members. Bruce H. Childs Professional Corporation has full and free access to the Finance Committee. ♦



Neil Windsor, P.Eng.
Executive Director & Registrar



Al Schuld, P.Eng.
Deputy Registrar

FINANCIAL STATEMENTS Year Ended December 31, 2004

AUDITOR'S REPORT

To the members of
The Association of Professional Engineers,
Geologists and Geophysicists of Alberta

I have audited the statement of financial position of The Association of Professional Engineers, Geologists and Geophysicists of Alberta as at December 31, 2004, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2004, and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. ♦



Bruce H. Childs Professional Corporation
Chartered Accountant

Edmonton, Alberta, Canada
January 31, 2005

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION December 31, 2004 (with comparative figures for 2003)

	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash	\$1,270,787	\$ 935,865
Accounts receivable	812,004	888,183
Prepaid expenses	94,081	60,076
	<u>\$2,176,872</u>	<u>\$1,884,124</u>
PROPERTY AND EQUIPMENT (note 1)	1,156,026	1,346,469
INVESTMENTS - at cost (note 2) (market value \$4,664,838; 2003 - \$4,520,122)	<u>4,549,285</u>	<u>4,400,625</u>
	<u>\$7,882,183</u>	<u>\$7,631,218</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 160,379	\$ 255,139
Prepaid member dues and fees	<u>4,311,373</u>	<u>4,180,328</u>
	4,471,752	4,435,467
Accrued pension liability (note 3)	325,000	277,000
Deferred lease inducement	<u>226,025</u>	<u>254,278</u>
	5,022,777	4,966,745
NET ASSETS	<u>2,859,406</u>	<u>2,664,473</u>
	<u>\$7,882,183</u>	<u>\$7,631,218</u>

LEASE OBLIGATIONS (note 4)

Approved on behalf of the Council:



President Linda Van Gastel, P.Eng.



Executive Director H. Neil Windsor, P.Eng.

STATEMENT OF OPERATIONS Year ended December 31, 2004 (with comparative figures for 2003)

	2004 Actual	2004 Budget (unaudited)	2003 Actual
REVENUES			
Dues	\$6,858,453	\$6,828,800	\$6,228,675
Permit fees	731,462	738,500	670,994
Registration fees	583,709	535,400	494,865
Examination fees	516,022	523,500	522,942
General revenue	945,085	1,016,300	869,300
	<u>9,634,731</u>	<u>9,642,500</u>	<u>8,786,776</u>
EXPENSES			
Salaries and Benefits	\$3,110,693	\$3,159,160	\$2,810,961
General	1,795,448	1,879,586	1,599,867
Meeting	1,221,795	1,194,050	1,071,002
Consultants	778,030	1,058,540	871,827
Office Rent & Parking	813,522	784,890	747,085
Depreciation & Amortization	328,556	307,000	299,665
Office Equipment	192,485	192,200	192,456
Printing & Stationery	398,489	417,695	384,905
Exam Administration	206,328	181,500	170,441
Personnel Administration	73,090	60,150	148,642
Insurance	48,699	30,250	27,358
Pension	472,663	375,000	559,530
	<u>\$9,439,798</u>	<u>\$9,640,021</u>	<u>\$8,883,739</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 194,933</u>	<u>\$ 2,479</u>	<u>\$ <96,963></u>

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS Year ended December 31, 2004 (with comparative figures for 2003)

	Invested in Capital Assets	Unrestricted	2004 Total	2003 Total
Net assets				
Balance, beginning of year	\$1,346,468	\$1,318,005	\$2,664,473	\$2,761,436
Excess of revenues over expenses	(328,556)	523,489	194,933	<96,963>
Investment in capital assets	138,114	(138,114)	-	-
Balance at end of year	\$1,156,026	\$1,703,380	\$2,859,406	\$2,664,473

STATEMENT OF CASH FLOWS Year ended December 31, 2004 (with comparative figures for 2003)

	2004	2003
Cash flows from operations		
Cash received from members	\$8,856,957	\$8,393,841
Cash received from general revenue	984,998	835,999
Cash paid for salaries and benefits	<3,064,286>	<3,180,071>
Cash paid for materials and services	<6,155,975>	<5,363,258>
Net cash generated through operations	621,694	686,511
Cash flows used in investing activities		
Purchase of capital assets	138,112	319,960
Purchase <redemption> of investments, net	148,660	<85,005>
Net cash used in investing activities	286,772	234,955
Net increase in cash	334,922	451,556
Cash at beginning of year	935,865	484,309
Cash at end of year	\$1,270,787	\$ 935,865

Notes to Financial Statements

Year ended December 31, 2004

The Association is incorporated under the *Engineering, Geological and Geophysical Professions Act* of Alberta. As a not-for-profit organization under the *Income Tax Act*, APEGGA is not subject to either federal or provincial income taxes.

Mission Statement

To serve society and protect the public by regulating, enhancing and providing leadership in the practice of the professions of engineering, geology and geophysics.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

Investments

Investments are reported at cost. When there has been a decline in the value of the investments which is other than temporary, the carrying value is reduced accordingly.

Property and Equipment

Property and equipment are stated at cost. Amortization is recorded on the following bases and annual rates:

Asset	Rate	Basis
Audio/Visual Equipment	20%	straight-line
Furniture and Equipment	10%	straight-line
Computer	25%	straight-line

Leasehold improvements are amortized over the remaining life of the lease.

Pension Costs and Obligations

The Association accrues its obligations under its pension plan and the related costs, net of plan assets. The cost of the pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service, and management's best estimates of expected plan investment performance, salary escalation and retirement age of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value.

Unrestricted Net Assets

During 2001, Council approved a policy of maintaining unrestricted net assets within a range of 25% to 35% of its normalized operating costs. From time to time the Council may review the reserve if special risks or capital expenditure plans warrant it. If it is required, APEGGA has a transition period of three years in which to meet the range.

Donated Services

The work of the Association is dependent on the voluntary services of many members. The value of donated services is not recognized in these statements.

Deferred Lease Inducement

Tenant lease inducements are amortized on the straight-line basis over the term of the lease.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. PROPERTY AND EQUIPMENT

	2004	2003		
	Cost	Accumulated amortization	Net book value	Net book value
Audio Visual Equipment	\$ 204,176	\$ 112,868	\$ 91,308	\$ 118,640
Furniture and Equipment	625,956	227,254	398,702	411,945
Leasehold Improvements	907,672	281,290	626,382	698,393
Computer Equipment	623,197	583,563	39,634	117,491
	\$2,361,001	\$1,204,975	\$1,156,026	\$1,346,469

2. FINANCIAL INSTRUMENTS

For cash, accounts receivable, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximate their fair value due to their short term maturity.

Investments consist of term deposits and bonds, which are recorded at cost plus accrued interest. Interest rates vary from 3.55% to 5.25%. These investments mature at various dates from January 2005 to June 2013.

3. PENSION PLAN

The Association maintains a defined benefit pension plan which covers its full-time employees. At December 31, 2004, the estimated accrued pension obligation was \$5,975,000 and the fair value of plan assets was \$5,370,000. The next actuarial valuation of the plan will be prepared in 2005. The pension expense for the year was \$472,663 and accrued pension liability is \$325,000.

4. LEASE OBLIGATIONS

The Association leases office premises and equipment under agreements expiring on various dates.

The lease of the Edmonton office expired September 30, 2004. At December 31, 2004, a new lease was being negotiated and the figures included in this note are based on the draft lease proposal.

The minimum lease payments including estimated operating costs and GST for each of the next five years are as follows:

2005	\$ 935,000
2006	\$ 940,000
2007	\$ 950,000
2008	\$ 940,000
2009	\$ 900,000
TOTAL	\$4,665,000